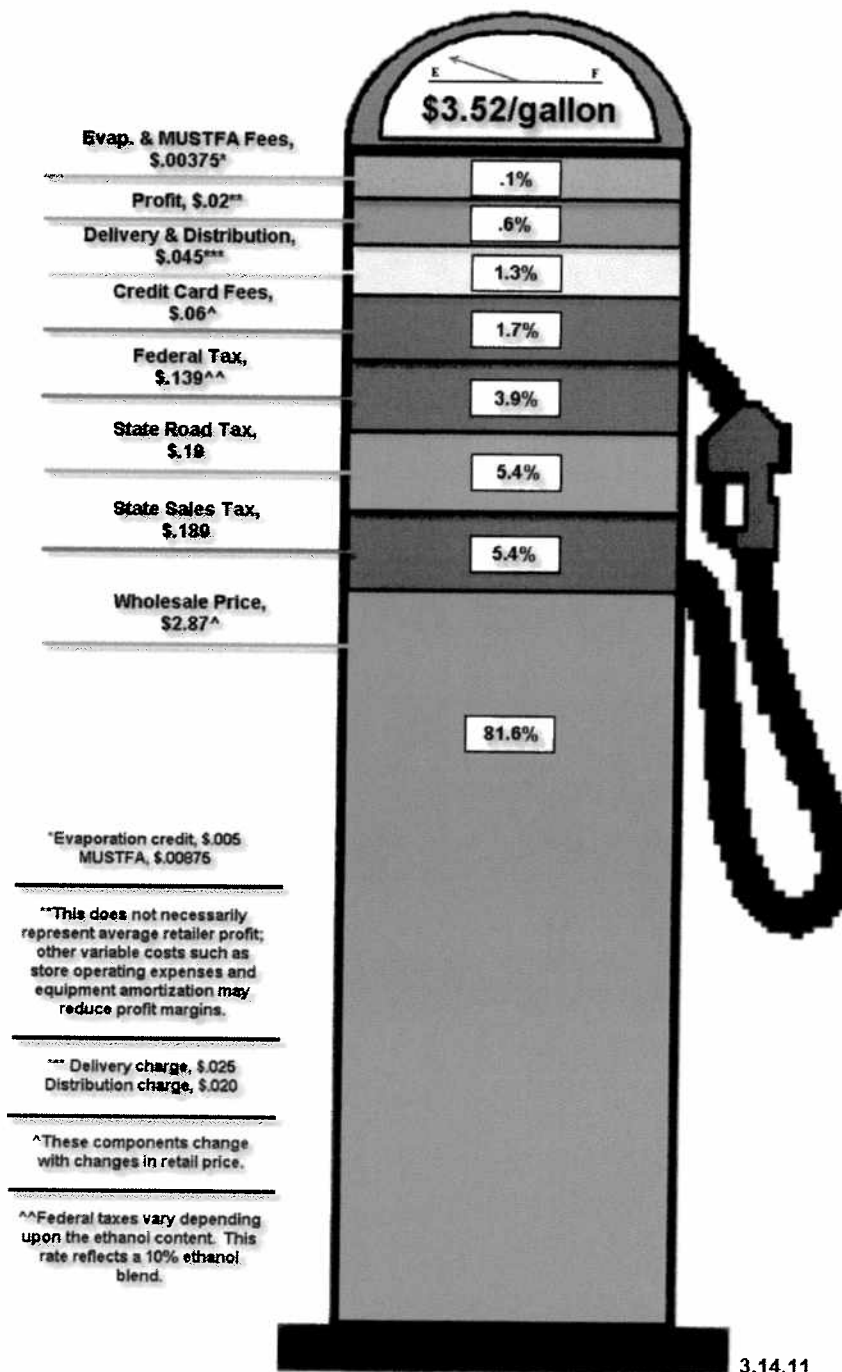




Gas Pricing and Gouging Fact Sheet

Attorney General Bill Schuette

The component costs of a regular gallon of gasoline on March 11, 2011:



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What Determines the Price at the Pump?

Market Factors	Many market factors play a role in the cost of gasoline, including: (1) increasing demand as a result of an improving global economy and the industrialization of China and India; (2) a downward trend in how much gasoline is held in inventory, (3) increased speculation in the energy commodities market; and (4) fears of extended Middle East supply disruptions.
Retail Gasoline Price Components	The cost to produce and deliver gasoline to consumers includes the cost of crude oil to refiners, refinery processing costs, marketing and distribution costs, and the retail station costs and taxes. The prices paid by consumers at the pump reflect these costs, as well as the profits, of refiners, marketers, distributors, and retail station owners. The Michigan Attorney General monitors retail and wholesale prices, as well as retail gas station profits, across the state every weekday.
Wholesale (Rack) Price	This is the price the retail gas station owner must pay for the gas.
State Road Tax	Michigan's road tax is 19 cents per gallon.
Federal Taxes	The Federal motor gasoline tax is 18.4 cents per gallon. However, a tax credit of up to 4.5 cents per gallon is available for ethanol blends.
Michigan Sales Tax	Michigan's sales tax is 6%. Retail gas stations do not pay sales tax on the 19 cents per gallon state road tax included in the price of a gallon of gasoline but do pay on the federal tax. The calculation of the state sales tax portion of the cost of a gallon of gasoline is complicated because the sales tax for gasoline, unlike the sales tax for other products, is already included in the posted retail price. The ultimate total sales tax paid by the station is calculated by taking the retail price per gallon minus 19 cents (state road tax) divided by 17.67 (the denominator that accounts for the fact that sales tax is already included in the posted retail price).
Credit Card Fees	The National Association of Convenience Stores reports that two-thirds of all gasoline transactions in 2005 and 2006 were paid by credit card and fees average 2.6% of the sale.
Delivery and Distribution Charges	Distributors charge a delivery cost (2.5 cents per gallon) for delivering the gas from the wholesaler to the retail gas station and a distribution charge (2 cents per gallon) for their profit on each gallon of gasoline.
Evaporation Credit and MUSTFA fee	Because gasoline evaporates, wholesalers receive an evaporation credit (\$.005). Wholesalers either pass part, all, or none of that evaporation credit on to retail gas stations. The MUSTFA fee (\$.00875) is a Michigan-specific environmental regulation fee for the refined petroleum fund.
Operating Expenses	These expenses vary greatly among retail gas stations.

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Gas Prices Are Monitored For Price Gouging Every Day

Attorney General Schuette takes gas prices very seriously. The Attorney General's Office monitors statewide retail gas prices, wholesale gas prices, and retail gas-station profits *on a daily basis*. If it appears to the Attorney General's Office, through this daily monitoring and/or consumer complaints, that price gouging may be taking place, we alert the Michigan State Police (MSP). Pursuant to a working agreement between the AG's Office and MSP, MSP troopers statewide will then immediately be on alert for price gouging in addition to investigating any price gouging allegations. With MSP's assistance and his offices monitoring activities, AG Schuette is able to swiftly and effectively address price gouging allegations.

In addition, isolated price gouging complaints during non-emergency situations are also investigated. In those circumstances, Attorney General Investigators attempt to verify the price and investigate the matter.

What is price gouging?

Under Section 3(1)(z) of the Michigan Consumer Protection Act (MCPA), **it is unlawful to “charge the consumer a price that is *grossly in excess* of the price at which similar property or services are sold.”**¹

Although people often talk about price gouging in relation to gas prices, price gouging can relate to the price of any good or service. If it is determined that a retailer is charging “grossly excessive” prices for gasoline, Attorney General Schuette is authorized to pursue remedies under the MCPA, including injunctive relief (MCL 445.905), class action relief for damages, (MCL 445.910), civil penalties of not more than \$25,000 for “persistent and knowing” violations (MCL 445.905) and, his office has argued, equitable restitution.

Gouging enforcement when retail prices rise dramatically beyond wholesale costs

The ultimate question in a “gouging” action is whether the price charged by a retailer is a “grossly excessive” price. Since this term is not clearly defined, and since prices for goods and services are generally dictated by market conditions, the Attorney General's Office has, with respect to gas prices, taken specific legal action based upon the grossly excessive pricing prohibition when clearly warranted. For example, where a limited number of retailers during a hurricane or a terrorist attack have raised prices when there was no corresponding increase in wholesale gas costs, the Attorney General's office has acted. Two specific instances include:

¹ MCL 445.903(1)(z)



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- September 2008: Eleven Lansing-area gas stations raised their prices to \$4.99-\$5.39 a gallon following Hurricane Ike's September 12, 2008 landfall near major domestic oil processing facilities. These 11 stations raised their prices due to consumer apprehension and not due to an increase in their wholesale gas costs. All 11 entered into compliance agreements with the Attorney General's Office as a result of price gouging allegations. The stations were also fined in amounts equal to any profits resulting from their gouging activities.
- September 2001: Several gas stations increased their prices in the hours and days immediately following the terrorists attacks of September 11, 2001. The circumstance surrounding the 2001 terrorists' attacks, like the circumstance surrounding Hurricane Ike, demonstrated that some retailers unilaterally increased their gas prices even though their wholesale costs were not substantially impacted. Over 30 stations entered into agreements to avoid gouging in the future.

In most circumstances, unlike the Hurricane Ike and September 11th situations, high retail-gas prices are the result of wholesale gas price hikes, and not price gouging. Retail gas stations raise their gas prices to recoup their increased wholesale gas costs and no one price is "grossly excessive."

What should consumers do if they believe gas gouging is occurring in their community?

Consumer complaints are a key component in assisting Attorney General Bill Schuette to fight price gouging. In fact, during Hurricane Ike, from Friday, September 12th through Monday, September 15th, the Consumer Protection Division answered hundreds of calls from consumers complaining about gas prices. During emergency situations such as Hurricane Ike, Consumer Protection tracks consumer gouging complaints to ensure that every potential price gouging complaint is investigated. Calls received during Hurricane Ike alerted the Attorney General's Office to potential price gouging at Lansing area gas stations. Consumers should keep their receipts if they believe they are victims of price gouging.

**Consumers are encouraged to report allegations of price gouging
to the Attorney General's Consumer Protection Division at:**

1-877-765-8388

or

www.michigan.gov/ag